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C O N F I D E N T I A L SECTION 01 OF 03 RIGA 000606

SIPDIS

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SUBJECT: LATVIA: ETHNIC-RUSSIAN HARMONY CENTER PARTY'S
INFLUENCE RISING

REF: RIGA 564

Classified By: PolCouns Brian Phipps for reasons 1.4 (b) and (d)

¶11. (C) Summary: The influence of the left-wing, predominately ethnic-Russian Harmony Center (Saskanas Centrs - SC) party is rising. Since its assumption of the capital city's mayoralty in June 2009, SC has consistently outpolled the fractious array of predominately ethnic-Latvian parties in public opinion surveys. The populist economic policies of Harmony Center are increasingly attractive, given Latvia's severe economic crisis and the failure of the governing coalition to outline a coherent economic vision for the country. Nevertheless, SC's links to Moscow are inhibiting its domestic political prospects as national elections approach in October 2010. End Summary.

Harmony Center's Influence Rising

¶12. (SBU) Harmony Center (Saskanas Centrs - SC) is a coalition of five political forces (Socialist Party, Social Democratic Party, New Center Party, Harmony People's Party and the Daugavpils City Party) that have a single common point of reference: their predominately ethnic-Russian voter base, about a quarter of the electorate. These elements hold varying economic and political platforms, from the hard-line Soviet-style leftism of the Socialist Party led by the radical Alfreds Rubriks to the more socially inclusive and economically open Harmony People's Party. Since the June 2009 municipal elections that brought SC to power in the capital city of Riga, through a coalition with the ethnic-Latvian Latvia's First Party/Latvia's Way (LPP/LC), speculation has focused on the prospects for SC assuming a role in forming the next central government coalition following the 2010 parliamentary elections in October. SC is currently leading in all major public opinion polls with a consistent block of support around 15 percent - substantially more than the next leading party, Union of Greens and Farmers, with around 8 percent.

¶13. (SBU) SC has muscled out the Human Rights in a United Latvia (PCTVL) party as the preeminent ethnic-Russian political force over the past few years. While PCTVL has remained a single-issue party focused on increasing the rights of ethnic-Russians in Latvia, SC has attracted a larger following by offering a broader political platform and a more coherent economic policy based social democratic doctrine. SC has benefited from the personal popularity of its young Riga Mayor, Nils Usakovs, a former journalist who has brought vitality to the party. SC's rising influence is also a function of the fractured nature of the existing

coalition government and the increasing animosity amongst the center-right, ethnic-Latvian parties. Many analysts, including the influential journalist and political commentator, Pauls Raudseps, predict that SC could secure as many as 25 to 30 seats in the next Saeima (Parliament).

Secure the Base, Reassure Ethnic Latvians

¶ 14. (SBU) Janis Urbanovics, the party's chairman and prime ministerial candidate, has stated publicly that SC has a "responsibility" to evolve from an opposition party to a member of the government. To accomplish this goal SC will need to cooperate with ethnic-Latvian parties, because there is virtually no chance SC could pick up the 50 seats needed to rule independently. Latvia's First Party/Latvia's Way (LPP/LC), led by Riga Deputy Mayor, Ainars Slesers, is the most likely partner given their existing alliance at the municipal level.

¶ 15. (C) Slesers has consistently stated his willingness to lead a coalition between the two parties. But Urbanovics and other SC members privately dismiss this and state that no negotiations have been held on forming a national government with LPP/LC. Harmony Center has welcomed the Riga alliance, because of the perceived legitimacy this alliance conveys on Harmony Center as a political force among ethnic-Latvian voters. Still, Boriss Cilevics, an influential SC leader, privately told us that Slesers' recognition of Harmony Center was more for pragmatic reasons (i.e., to maintain some political power and support his personal financial interests)

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than true ideological convergence. Cilevics said that SC has resisted publicly rebuking Slesers' public statements because party leaders don't want to undermine the current City Council coalition or stoke any ethnic prejudices.

¶ 16. (SBU) SC is walking an ethnic tight rope on which it is trying to show that it is serious about moving beyond ethno-politics, while at the same time not alienating its own voter base. SC has publicly maintained that it is open to cooperation with any of the ethnic-Latvian parties. Urbanovics recently stated publicly, however, that they are being forced into the embrace of the "oligarchs" (People's Party, LPP/LC and Union of Farmers and Greens) because of the "intransigence" of the New Era and Civic Union parties. Riga City Council member and party chairman of Civic Union, Girts Kristovskis, recently said that a vote for SC is tantamount to a vote for the Kremlin. However, both New Era and the Union of Greens and Farmers have refused to rule out building a post-election coalition with SC.

SC Foreign Policy

¶ 17. (C) The foreign policy of SC and several events are complicating the party's domestic political strategy. Among ethnic Latvians, SC is widely suspected of being a proxy for political and business interests in Moscow. The signing of a cooperation pact between SC and Vladimir Putin's United Russia on November 21 has fueled the suspicions of many ethnic-Latvian voters and politicians about SC's true intentions. Compounding these suspicions: Russia's ZAPAD military exercise, reports of an increase in ethnic-Russians in Latvia seeking Russian passports in line with Russia's compatriot policy, a phone-in poll on a Russian-language broadcast in which a huge majority of callers described Latvian independence as "a mistake", and even a recent inflammatory statement by the always colorful Russian State Duma Deputy, Mr. Zhirnovsky, that Russia should annex portions of eastern Latvia where ethnic-Russians are present in large numbers.

¶ 18. (C) Urbanovics told PolOff on December 14 that SC

considers Moscow, Washington and Brussels the three external poles of influence in Latvia that will have a significant impact on its future. Nonetheless, there is no doubt that SC is focused on improving economic and political relations with the East. Cilevics told us that the cooperation pact with United Russian shows it is serious about improving relations with Moscow and not just paying lip service to the idea as ethnic-Latvian parties have done. Many suspect that SC receives media and possibly direct financial support from Russia.

¶9. (C) In our view, SC's cooperation agreement with United Russia had more to do with nailing down its domestic voter base than with creating an alliance with Moscow. The deal secured positive media coverage on Russian state media, the prime news source for many ethnic-Russians in Latvia. Urbanovics and Cilevics both told PolOff privately that SC was forced to sign the pact quickly to preempt other political parties in Latvia that were seeking a deal with United Russia. While media attention has speculated that the People's Party (TP) and its leader, Andris Skele, were exploring a cooperation agreement (TP has denied this), Urbanovics told PolOff that the more dangerous competitor to SC was its own Riga City Council ally, LPP/LC. Urbanovics said LPP/LC had nearly completed an agreement with United Russia before SC preemptively signed. According to Urbanovics and Igor Pimenov, another leading member of SC, LPP/LC has already siphoned away 5-6% of SC's voters. (Note: Urbanovics and Cilevics both confirmed to us that SC is also negotiating a cooperation agreement with the Chinese Communist Party.)

¶10. (C) While trying to convince PolOff that SC would not fundamentally alter the foreign policy of Latvia, Urbanovics admitted that many SC voters looked primarily to Moscow for guidance on foreign policy. Urbanovics said many of SC's voters are "nostalgic" for "Mother Russia" and consider Latvia to be more like their "step-mother." Urbanovics, Cilevics, and Pimenov all told PolOff that SC would stick to its international commitments, including NATO and the EU, if SC were to play a role in the next national government.

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However, the three expressed varying expectations about what NATO and the EU should do for Latvia to justify these relationships. Urbanovics said he would increase defense spending to show solidarity with NATO, but he expected NATO to create Latvian jobs through sourcing equipment and supplies in Latvia. In public, however, SC has repeatedly called for the withdrawal of troops from Afghanistan given Latvia's economic decline and severe budget constraints. SC leadership sidestepped this contradiction.

It's the Economy

¶11. (SBU) SC is currently planning an economic conference in May 2010 titled "Reaction Task Force Latvia" (www.rtfl.lv). This conference will lead to the publication of an economic platform for October's national elections. Cilevics outlined for PolOff the party's basic economic approach: a "new, modern version of Western European-style social democratic doctrine" that takes into account "the unavoidable consequences of globalization." The doctrine boils down to a contradictory mix of lower taxes and more social spending. He said one of communism's greatest failings was to prohibit private property and limit the monetary work incentives that drive development. Cilevic said key components of SC's economic platform would be streamlining of public administration, a relatively low, but progressive tax base, and subsidies for pensioners and small businesses. Although still ill-defined, the populist components of this economic plan may attract disenchanted voters looking for an alternative to the flat-tax, oligarch-friendly economic policies implemented by the ruling coalition over the past several years. A young ethnic-Latvian official at the MFA told PolOff on December 17 that he's open to a new economic

approach and said that SC is currently the only party offering an alternative.

Post Engagement with SC

¶12. (C) Post has stepped up engagement with SC, including nominating SC members to participate in NATO tours, coordinating a DVC on economic policy, and holding regular discussions with key party members on foreign and domestic policy. We do not expect to make dramatic shifts in SC policy, but hope that we may have some influence on SC attitudes, while we prepare for the real possibility that a Moscow-oriented party may find itself sharing in the governance of a NATO ally. The coalition nature of Latvian government makes it unlikely that SC would obtain core "power" ministries such as defense, finance, foreign affairs, or justice, but any SC participation in a future cabinet would present us with challenges.

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